

Dear Colleagues,

I trust you are taking full advantage of the great summer weather.

During this summer season we are continuing our work on the plan to stabilize the district budget for the coming school year. Six weeks into the process, I am hopeful we can achieve a big part of that goal by slowing the growth of the district's health insurance costs. Doing so will help keep employees working and serving students, which is the district's primary interest.

What follows is a midsummer update on our financial situation and a quick look at what is to come.

The district's budget took a hit in late May, when the state cut \$3.9 million from our projected revenue for 2010-11. We have closed most of the gap since then, primarily by drawing down reserves, cutting non-staff spending and holding wages stable for all staff. However, we still need to finish the remaining \$1.3 million in reductions.

In the two meetings with employee representatives last month it became clear that health insurance represents a significant potential area for savings. The district is projected to spend about \$16 million a year on insurance for employees and dependents. This past year our insurance agent of record, Western States Insurance, worked with the district's insurance committee to keep rates flat in 2009-10. However, our insurance costs will go up by at least 15 percent this year unless we make some changes.

Our district is unlike most others in Oregon because it is self-insured and does not get its coverage through the Oregon Educators Benefit Board. Thus, we can work directly with our various health service providers to make changes that more closely match the needs of our employees and the realities of our budget.

The district has met twice with Western States representatives in the past two weeks to explore potential insurance savings. In general, we are looking for changes that will encourage use of wellness and disease prevention services, while continuing to support doctor visits for critical needs.

We will continue to consult with Western States and will have more information about these concepts when we meet with the district insurance committee on August 4. We will report to the School Board about the budget-adjustment process at its August 17 meeting. We plan to have information and expert insurance advice available for employees during back-to-school events for staff on August 30.

I will continue to provide information about insurance and the district's budget throughout the summer. In the meantime, please accept my thanks for the great work that you do.

Sincerely,

Phil